

## SWISS FLAGSHIP CARRIER IN TATTERS

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Summary: In the wake of frantic weekend negotiations with banks and Swiss government officials, the financially battered SAirGroup sought bankruptcy protection for some of its key operations. The financial picture already looked grim before September 11, but was precipitated by the recent plunge in air travel as a result of the terrorist attacks on New York and Washington, D.C. The Group agreed to sell its 70-percent controlling stake in its regional airline, Crossair, to Switzerland's two principal banks, UBS and the Credit Suisse Group. The Swissair Group applied with the responsible court for a moratorium of debt enforcement for the SAirGroup Holding, SAirLines and Flightlease companies. Other divisions of the SAirGroup to include Nuance, Swissport, Gate Gourmet and SRTechnics are slated for sale or have already been sold. The immediate result will be that Crossair, which finds itself on a financially sounder footing, will take over most Swissair flights, starting with the beginning of the winter schedule on October 28, 2001. The Swissair brand will not vanish, but the intricate deal struck over the weekend foresees the disappearance of the Swissair company. Industry experts maintain that it is a paramount for the Swiss public and for Switzerland's economy and financial center that a national flagship carrier provide services in and out of the country. In light of Swissair's predicament, the recent deal is the only viable solution. Filing for bankruptcy coupled with the disintegration of the SAirGroup represents Switzerland's most significant demise of a holding company ever to have occurred in this country. End Summary.

Under the deal, which was inevitable given the financial imbroglio surrounding the airline conglomerate, the two Swiss banks will purchase, at current market price, 70 percent of the outstanding Crossair shares. The banks' commitment amounts to Sfr. 1.35 billion (\$ 840 million): Sfr. 260 million (\$ 162.5 million) for the purchase of Crossair shares, a credit line of up to Sfr. 250 million (\$ 156 million) for bridging credit to SAirLines, a maximum of Sfr. 500 million (\$ 312.5 million) as additional operating capital for Crossair as well as Sfr. 350 million (\$ 218.8 million) for capital increase of Crossair. Swissair's financial situation was already bleak because of losses incurred in a failed attempt to expand in Europe by acquiring ailing foreign air carriers. But the loss of passengers, particularly on trans-Atlantic flights, since the September 11 attack on New York and Washington, D.C., broke the airline's neck. The airline's dwindling cash reserves were nearly tapped out in recent weeks, leading the company to be deeply

entrenched in debt of approximately Sfr. 17 billion (\$ 10.6 billion).

The Swissair Group also announced that it was unable to make an infusion of fresh cash (Sfr. 200 million/\$ 125 million) available to the marauding Belgian flagship carrier Sabena, in which the Swissair Group holds a minority stake of 49.5 percent, thereby increasing the likelihood of bankruptcy for Sabena.

The ailing aviation industry, which has been slumping for some time, put Swissair's initial plan to improve its liquidity and equity by selling off some of its "crown jewels", including its airport luxury retailer Nuance to rest. Last week, the Group announced that it will shed 3,000 jobs at its profitable catering unit Gate Gourmet and a restructuring of Swissair into a new holding, Swissair Air Lines. Burgeoning debt compelled Swissair to take immediate and drastic measures, which encompasses additional cuts in workforce, numbering 2,650, of which 1,750 will be trimmed in Switzerland. The Group employs 72,000 individuals.

The new airline must be smaller and more streamlined than Swissair and Crossair. The aircraft fleets will be amalgamated and will shrink from present 162 aircraft units to 134 units. Swissair will operate 24 fewer aircraft. Unprofitable routes will also be identified and will be removed from the schedule.

For further information, please contact:

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IMI Customer Satisfaction Survey

U.S. Department of Commerce  
International Trade Administration  
The Commercial Service

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The U.S. Department of Commerce would appreciate input from U.S. businesses that have used this IMI report in conducting export market research. Please review the privacy statement / disclaimers at the bottom of this Web site. Please take a few moments to complete the attached survey and fax it to 202/482-0973, mail it to QAS, Rm. 2002, U.S. Department of Commerce, Washington, D.C. 20230, or Email: Internet[Robert.Opfer@mail.doc.gov].

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\* \* \* About Our Service \* \* \*

1. Country covered by report: \_\_\_\_\_

Industry/title: \_\_\_\_\_

Commerce domestic office that assisted you (if applicable):

2. How did you find out about the IMI service?

- ☐ Direct mail
- ☐ Recommended by another firm
- ☐ Recommended by Commerce staff
- ☐ Trade/state/private newsletter
- ☐ Department of Commerce newsletter
- ☐ Other (specify): \_\_\_\_\_

3. Please indicate the extent to which your objectives were satisfied:

- 1-Very satisfied
- 2-Satisfied
- 3-Neither satisfied nor dissatisfied
- 4-Dissatisfied
- 5-Very dissatisfied
- 6-Not applicable

- ☐ Overall objectives
- ☐ Accuracy of information
- ☐ Completeness of information
- ☐ Clarity of information
- ☐ Relevance of information
- ☐ Follow-up by Commerce representative

4. In your opinion, did using the IMI service facilitate any of the following?

- ☐ Decided to enter or increase presence in market
- ☐ Developed an export marketing plan
- ☐ Added to knowledge of country/industry
- ☐ Corroborated market data from other sources
- ☐ Decided to bypass or reduce presence in market
- ☐ Other (specify): \_\_\_\_\_

5. How likely would you be to use the IMI service again?

- ☐ Definitely would
- ☐ Probably would
- ☐ Unsure
- ☐ Probably would not
- ☐ Definitely would not

6. Comments:

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\* \* \* About Your Firm \* \* \*

1. Number of employees: \_\_1-99 \_\_100-249 \_\_250-499  
\_\_500-999 \_\_1,000+

2. Location (abbreviation of your state only): \_\_\_\_\_

3. Business activity (check one):

☐ Manufacturing

☐ Service

☐ Agent, broker, manufacturer's representative

☐ Export management or trading company

☐ Other (specify): \_\_\_\_\_

4. Value of export shipments over the past 12 months:

☐ Less than \$10K

☐ \$11K-\$100K

☐ \$101K-\$500K

☐ \$501K-\$999K

☐ \$1M-\$5M

☐ More than \$5M

May we call you about your experience with the IMI service?

Contact name: \_\_\_\_\_

Phone: \_\_\_\_\_

Fax number: \_\_\_\_\_

Email: \_\_\_\_\_

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Thank you--we value your input!

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